

Independent Accountants' Report on Applying Agreed-upon Procedures

Quarters Ended March 31, 2007 and June 30, 2007

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Independent Accountants' Report on Applying Agreed-upon Procedures

Mr. R. Thomas Wagner Jr.
State Auditor
Office of Auditor of Accounts
State of Delaware:

We have performed the procedures enumerated below, which were agreed to by the Office of State Treasurer and the Office of Auditor of Accounts, State of Delaware, solely to assist you in evaluating the bank reconciliations of the Office of State Treasurer as of and for the quarters ended March 31, 2007 and June 30, 2007. The Office of State Treasurer's management is responsible for the State's bank reconciliations. The agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards*, issued by the Controller General of the United States, and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

- Compared the list of accounts generated from the Delaware Financial Management System (DFMS) to the bank accounts reconciled by the State Treasurer's Office and the accounts included as part of each quarter's ending cash balance in cash account 1001 on DFMS and found them in agreement.
- Obtained the State Treasurer's Office reconciliation of bank balances to DFMS for each quarter, and performed the following:
 - For the March and June reconciliations, agreed each bank balance to the actual bank statements, and also agreed each book balance to the DFMS summary trial balance report. No exceptions were noted.
 - For the March and June reconciliations, obtained explanations and examined supporting documentation for reconciling items over \$3,560,000, including the subsequent clearing of these reconciling items in following months when applicable. No exceptions were noted.
 - Recalculated the March and June reconciliations for mathematical accuracy. No exceptions were noted.
 - For the March and June reconciliations, compared the types and amounts of reconciling items over \$3,560,000 for non-recurring items. No items were noted that were both over \$3,560,000 and non-recurring.
 - Agreed each quarter's ending cash balance to the Financial Report submitted to the Governor by the Secretary of Finance. No exceptions were noted.



- Obtained and reviewed Office of State Treasurer's bank reconciliation policies and procedures dated February 28, 2000, in order to determine if these policies and procedures were applied when the Office of State Treasurer performed its reconciliations for the months ended March 31, 2007 and June 30, 2007. No deviation from written policy was noted.
- Obtained the Wire Transfer Log for each quarter and performed the following procedures:
 - Selected transfers for amounts in excess of \$3,560,000 for the March and June quarters and agreed the transfer information to the applicable month's bank statements, ensuring both sides of the transfer actually occurred within one business day. No exceptions were noted.
 - Agreed the transfer activity selected to the appropriate postings in the accounts on the DFMS summary trial balance report. No exceptions were noted.
 - Haphazardly selected the following five transfers per quarter from the zero-balance bank accounts and agreed the net activity to the corresponding clearing in the concentration bank account. In addition, agreed the monthly posting of the zero balance and concentration account activity to the DFMS summary trial balance report. No exceptions were noted.

	Wire date		Amount
Quarter ended March 31, 2007:	January 4, 2007	\$	5,637,581
	January 9, 2007		8,592,675
	January 10, 2007		4,434,448
	February 15, 2007		5,134,845
	February 23, 2007		3,661,666
	Wire date		Amount
Quarter ended June 30, 2007:	Wire date April 16, 2007	- \$	Amount 13,103,252
Quarter ended June 30, 2007:		\$	
Quarter ended June 30, 2007:	April 16, 2007	\$	13,103,252
Quarter ended June 30, 2007:	April 16, 2007 April 26, 2007	\$	13,103,252 5,447,533

- Obtained the Office of State Treasurer's General Account Reconciliation for the March and June quarters, summarized each quarter's reconciliations into the form of Exhibit A attached, and performed the following procedures:
 - Agreed the bank account information to the corresponding bank statements. No exceptions were noted.
 - Agreed the ending book balance to the ending balance as reported in Exhibit B and to the quarter-end reconciliations. No exceptions were noted.
- Obtained the monthly rollforward of cash activity from the Office of State Treasurer, summarized the quarterly activity and obtained the "Proof of Cash Reconciliation" in the form of Exhibit B attached, and performed the following procedure:
 - Agreed the beginning balances to the prior month's ending balances and agreed the ending balances to the monthly reconciliations. No exceptions were noted.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the specified bank reconciliations. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.



This report is intended solely for the information and use of the Office of State Treasurer and the Office of Auditor of Accounts, State of Delaware, and is not intended to be, and should not be, used by anyone other than these specified parties. However, under 29 Del.C., Section 10002(d), this report is a public record and its distribution is not limited. This report, as required by statute, was provided to the Governor, Controller General, Attorney General, Office of Management and Budget, and Department of Finance.



October 29, 2007

Schedule of Findings

Quarters ended March 31, 2007 and June 30, 2007

Current-Quarter Findings and Recommendations

No findings or recommendations noted.

General Account Cash Reconciliation

March 31, 2007

Balance per Citizens Bank Balance per Mellon Bank	7,950,588 1,738,908
Bank balance at March 31, 2007	9,689,496
Additions:	
Investments managed by Morgan Bank, account number 830752	177,062,394
Investments managed by Wilmington Trust, account number 830754	355,927,977
Investments managed by Wachovia Bank, account number 830751	325,729,229
Receivables from various sources	158,937
Deposits in transit	1,444,499
Balance at Bank of New York Mellon, account number 353607, 353608 and 830753	223,856,967
Fidelity Government Obligation Bonds 1998A	6,822,859
Balance at Wilmington Trust, DELGIP, account number 830755	140,382,238
Wilmington Trust Land and Water Conservation Trust Fund #1 account	
number 830758	65,163,177
Balance of Wachovia Acct., Justice of Peace, account number 2000013021469	26,231
Balance at Bank of America, Division of Corp. State Lockbox, account	
number 2001800374	844,286
Balance at Wilmington Trust, Morgan Grenfield Intermediate, account number 830759	272,650,241
Balance at Bank of America, Labor Lockbox	1,069,493
Balance at PNC Bank, Concentration, account number 56-9401099-3	1,252,487
Balance at PNC Bank, DMR Special Services, account number 56-94003988	219,039
Subtotal	1,572,610,054
Deductions:	
Outstanding zero-balance accounts (ZBAs) – outstanding checks	71,999,501
Payable for bank errors	31,820
Payable to Mellon 07/98	10,069
Payable to PNC Bank miscellaneous adjustments	44,324
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Subtotal	72,085,714
Balance per State Treasurer's books, adjusted, March 31, 2007 \$	1,510,213,836

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General Account Cash Reconciliation

June 30, 2007

Balance per Citizens Bank Balance per Mellon Bank	\$ 3,568,230 1,197,791
Bank balance at June 30, 2007	4,766,021
Additions:	
Investments managed by Morgan Bank, account number 830752	178,984,822
Investments managed by Wilmington Trust, account number 830754	434,891,588
Investments managed by Wachovia Bank, account number 830751	380,019,216
Receivables from various sources	154,949
Deposits in transit	225,439
Balance at Bank of New York Mellon, account number 353607, 353608 and 830753	276,987,676
Fidelity Government Obligation Bonds 1998A	140,509,652
Balance at Wilmington Trust, DELGIP, account number 830755	163,935,285
Wilmington Trust Land and Water Conservation Trust Fund #1 account	
number 830758	65,935,849
Balance of Wachovia Acct., Justice of Peace, account number 2000013021469	57,614
Balance at Bank of America, Division of Corp. State Lockbox, account	
number 2001800374	875,858
Balance at Wilmington Trust, Morgan Grenfield Intermediate, account number 830759	309,306,416
Balance at Bank of America, Labor Lockbox	11,027
Balance at PNC Bank, Concentration, account number 56-9401099-3	917,111
Balance at PNC Bank, DMR Special Services, account number 56-94003988	220,867
Subtotal	1,953,033,369
Deductions:	
Outstanding ZBAs – outstanding checks	58,891,667
Payable for bank errors	31,632
Payable to Mellon 07/98	10,069
Payable to PNC Bank miscellaneous adjustments	44,324
Subtotal	58,977,692
Balance per State Treasurer's books, adjusted, June 30, 2007	\$ 1,898,821,698

Proof of Cash Reconciliation

Three months ended March 31, 2007

Balance per State Treasurer's books, January 1, 2007	\$ 1,592,804,151
Additions:	
Deposits to cash receipts journal	1,660,528,324
Receivables for bank errors	1,164
Outstanding cash receipts	62,637,765
Accrued interest Wilmington Trust Land and Water Conservation Trust Fund #1	671,167
Division of Mental Retardation transfer	4,938
Outstanding checks – prior months	222,572,095
Subtotal	1,946,415,453
Deductions:	
Deposits to cash receipts journal – credit card payments booked in transit	2,099,525
Deposits to cash receipts journal – prior months	54,461,808
Transfer for principle and interest on bonds	70,710,000
Transfer from Mellon Bank for payroll and pension direct deposit	388,118,191
Transfer from Mellon Bank to Mercantile Bank for pensions	46,759,073
Transfer from Mellon Bank for Coventry Healthcare	23,879,846
Transfer from Mellon Bank for national data services	14,560
Transfer from Mellon Bank for Gab Robins	25,442
Transfer from Mellon Bank for deferred compensation	432,890
Transfer from Mellon Bank for IFTA	191,245
Transfer from Mellon Bank for Medicaid	35,036,652
Transfer from Mellon Bank for Amer Glo	10,728,171
Transfer from Mellon Bank for Alamar Assoc.	10,500
Transfer from Mellon Bank for ACI PMT	1,419,835
Transfer from Mellon Bank for SSI	261,971
Transfer from PNC Bank for bank fees, State Personnel Office	5,750
Transfer from PNC Bank for bonds	29,355,334
Transfer for federal income tax, FICA, and Medicare	108,768,656
ACH transfers	572,229,315
Bad-check summary	(71,791)
Transfer for cleared ZBAs	454,384,733
Transfer for outstanding ZBAs	230,184,062
Subtotal	2,029,005,768
Balance per State Treasurer's books, adjusted, March 31, 2007	\$ 1,510,213,836

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Proof of Cash Reconciliation

Three months ended June 30, 2007

Balance per State Treasurer's books, April 1, 2007	\$ 1,510,213,836
Additions:	
Deposits to cash receipts journal	2,153,224,829
Receivables for bank errors	4,054
Outstanding cash receipts	28,064,268
Accrued interest L&W Escrow BC21	772,672
Division of Mental Retardation transfer	1,828
Outstanding checks – prior months	218,579,503
	
Subtotal	2,400,647,154
Deductions:	
Deposits to cash receipts journal – credit card payments booked in transit	1,279,820
Deposits to cash receipts journal – prior months	44,650,236
Transfer for principle and interest on bonds	30,825,000
Transfer from Mellon Bank for payroll and pension direct deposit	341,424,799
Transfer from Mellon Bank to Mercantile Bank for pensions	49,462,065
Transfer from Mellon Bank for Coventry Healthcare	22,215,101
Transfer from Mellon for Vendor Check Wired	1,667
Transfer from Mellon Bank for EDS	150,000
Transfer from Mellon Bank for Motorola	3,890,974
Transfer from Mellon Bank for IFTA	153,800
Transfer from Mellon for Medicaid	3,315,393
Transfer from Mellon for ACI	2,037,300
Transfer from Mellon for SSI	187,390
Transfer from PNC Bank for bank fees, State Personnel Office	5,663
Transfer from PNC Bank for bonds	1,978,125
Transfer for federal income tax, FICA, and Medicare	128,899,220
ACH transfers	637,320,064
Bad Check Summary	(118,881)
Transfer for cleared ZBAs	538,889,887
Transfer for outstanding ZBAs	205,471,669
Subtotal	2,012,039,292
Balance per State Treasurer's books, adjusted June 30, 2007	\$ 1,898,821,698